# 2026 CONFORMITY BILL
# LEGISLATIVE BULLETIN

Appeals, Legal Services, and Disclosure Division
600 N. Robert St.
St. Paul, MN 55146-2220

9/10/2026 FINAL

Unless otherwise noted, the provisions discussed in this bulletin can be found in 2026 Minn. Laws, Ch. 128, Art. 1.

**Internal Revenue Code.** Minn. Stat. §§ 289A.02, subd. 7; 290.01, subds. 19 and 31; 290A.03, subd. 15; and 291.005, subd. 1, were amended to update the references to the Internal Revenue Code from May 1, 2023, to May 1, 2026. These sections are effective May 28, 2026, except the changes incorporated by federal changes are effective retroactively at the same time the changes were effective for federal purposes.

**Net income.** Minn. Stat. §§ 290.01, subd. 19, (as amended by Laws 2026, Ch. 88, Art. 1, § 170), 290.06, subd. 2c, and 290.091, subd. 2, were amended to include the new additions and subtractions for the calculation of net income for composite returns, part-year resident calculations, pass-through entity tax, and the alternative minimum tax ("AMT"). The new additions and subtractions are for qualified transportation fringe, services performed in the Sinai Peninsula and other areas, opportunity zones, research and experimental expenditures, interest on loans secured by rural or agricultural property, business meals provided on fishing boats or at fish processing facilities. It also adds the modification for subpart F and net CFC tested income ("NCTI"), making clear all net income must be calculated without the look-through provisions in federal code. These sections are effective May 28, 2026, except the changes incorporated by federal changes are effective retroactively at the same time the changes were effective for federal purposes.

**Charitable contributions.** Minn. Stat. § 290.0122, subd. 4, was amended to remove a citation to section 170(b)(1)(G) of the Internal Revenue Code, and to limit state itemized deductions for charitable contributions to the excess of one percent of the taxpayer's contribution base, notwithstanding section 170(b)(1)(I) of the Internal Revenue Code. This section is effective for taxable years beginning after December 31, 2025.

**529 plan addition.** Minn. Stat. § 290.0131, subd. 15, was amended to include "qualified postsecondary credentialing expenses, as defined in section 529(f)…" as an add back to net income for individuals, trusts, and estates. This section is effective retroactively from the same time as the changes under section 70414 of Public Law 119-21 became effective.

**Disallowed educational assistance payments.** Minn. Stat. § 290.0131 was amended by adding new subdivision 21, to create an addition to federal adjusted gross income for payments of principal and interest, as described in section 127(c)(1)(B) of the Internal Revenue Code, and also combined amounts of educational assistance over $5,250 as described in sections 127(c)(1)(A) and 127(c)(1)(C) of the Internal Revenue Code. This section is effective for taxable years beginning after December 31, 2025.

**Qualified transportation fringe.** Minn. Stat. § 290.0131 was amended by adding new subdivision 22, to create an addition to federal adjusted gross income for any amounts of qualified transportation fringe benefits, as defined in section 132(f) of the Internal Revenue Code, that exceeds the prior law limit that is adjusted for inflation as it was under the prior Internal Revenue Code. This section is effective for taxable years beginning after December 31, 2025.

**Services performed in the Sinai Peninsula and other areas.** Minn. Stat. § 290.0131 was amended by adding new subdivision 23, to create an addition to federal adjusted gross income for amounts excluded for service in areas of the world listed in section 70118 of Public Law 119-21. This section is effective for taxable years beginning after December 31, 2025.

**Opportunity zone capital gain income.** Minn. Stat. §§ 290.0131 - 290.0134, and 290.033, were amended to decouple from federal opportunity zone income exclusion or deferral. Sections 290.0131 and 290.0133 were amended by adding new subdivisions 24 and 17, respectively, to create additions for amounts excluded from federal income under section 1400Z-2 of the Internal Revenue Code. Sections 290.0132 and 290.0134 were amended by adding new subdivisions 40 and 23, respectively, to allow for the subtraction of amounts already taxed by Minnesota through the new additions. Section 290.033 was amended to include any amounts excluded from federal income for opportunity zones under section 290.0131, subdivision 24, for the Minnesota net investment tax. The net investment tax now allows for the subtraction of previously taxed income under section 290.0132, subdivision 40. These sections are effective for taxable years beginning after December 31, 2026.

**Interest on loans secured by rural or agricultural property.** Minn. Stat. §§ 290.0131 and 290.0133 were amended by adding new subdivisions 25 and 18, respectively, to require the addition of any amounts excluded from federal gross income pursuant to section 139L of the Internal Revenue Code. These sections are effective retroactively from the same time as section 70435 of Public Law 119-21 became effective.

**Business meals provided on fishing boats or at fish processing facilities; expenses for bona fide transactions.** Minn. Stat. §§ 290.0131 and 290.0133 were amended by adding new subdivisions 26 and 19, respectively, which require additions to Minnesota income for amounts excluded from federal gross income, that are over the 50 percent limitation provided in section 274(n)(2)(C) of the Internal Revenue Code, relating to meals provided on fishing boats or at fish processing facilities. Also, it requires the addition of any amounts excluded from federal gross income pursuant to section 274(e)(8) of the Internal Revenue Code, which relate to expenses incurred in producing entertainment sold to customers. This section is effective for taxable years beginning after December 31, 2025.

**Research and experimental expenditures amortization.** Minn. Stat. §§ 290.0133 and 290.0134 were amended by adding new subdivisions 16 and 22, respectively, to create an addition and subtraction, respectively, for corporate research and experimental expenditures under section 174A of the Internal Revenue Code. Under Minn. Stat. § 290.0133, subd. 16(a), for amounts that were immediately expensed federally, for Minnesota purposes eighty percent is added back. Also, under paragraphs (b) and (c) of the same subdivision, any amounts immediately expensed under section 70302 of Public Law 119-21, are also an addition of 80% for amounts under paragraph (b) and fully for amounts under paragraph (c). Minn. Stat. § 290.0134, subd. 22(a), allows a subtraction in each of the four taxable years following the addition under Minn. Stat. § 290.0133, subd. 16(a) and (b). Under Minn. Stat. § 290.0134, subd. 22(b), for additions under Minn. Stat. § 290.0133, subd. 16(c), the subtraction equals what the amortization schedule would have been had the taxpayer not elected for immediate expensing under section 70302, subsection (f)(2)(A)(i) and (ii), of Public Law 119-21. Minn. Stat. § 290.0133, subd. 16, paras. (a) and (c) are effective retroactively for taxable years beginning after December 31, 2024 and para. (b) is effective retroactively for taxable years beginning after December 31, 2021. Minn. Stat. § 290.0134, subd. 22, para. (a) is effective retroactively for taxable years beginning after December 31, 2022 and para. (b) is effective retroactively for taxable years beginning after December 31, 2024.

**Net Controlled Foreign Corporation ("CFC") tested income.** As of tax year 2026, federal Global Intangible Low Taxed Income "GILTI" was replaced with net CFC tested income ("NCTI"). New section 290.034 was created to calculate Minnesota NCTI, which are amounts included in federal taxable income pursuant to section 951A of the Internal Revenue Code with modifications. The calculation is modified by new section 290.035, which states both NCTI and subpart F income, under section 951 of the Internal Revenue Code, must be calculated without the "look-thru" provision that was extended permanently under section 70351 of Public Law 119-21. The former qualified business asset deduction, as of May 1, 2023, is then subtracted from net CFC tested income. The resulting calculation is then treated as a dividend, pursuant to the amendment to Minn. Stat. § 290.21, subdivision 10. The new qualified business asset deduction is allowed as a subtraction, pursuant to new subdivisions of sections 290.0132 and 290.0134, subdivisions 41 and 24, respectively. All sections except for section 290.035 are effective for taxable years beginning after December 31, 2025. Section 290.035 is effective May 28, 2026, except the changes incorporated by federal changes are effectively retroactively at the same time the changes were effective for federal purposes.

**Section 529 plan recapture.** Minn. Stat. § 290.06, subd. 2h, was amended to exclude expenses that are related to post-secondary credentialing expenses, as defined in section 529(f) of the Internal Revenue Code, from the definition of "qualified higher education expenses" that are eligible for the subtraction or credit. This section is effective retroactively from the same time as the changes under section 70414 of Public Law 119-21 became effective.

**Dependent care credit.** Minn. Stat. § 290.067 was amended to redefine dependent care expenses, now determined under new subdivision 1a, which will then be multiplied by the credit percentage in new subdivision 1b. The credit will be phased-out by five percent of adjusted gross income over $65,610. For nonresidents and part-year residents, the credit is determined using the percentage calculated under section 290.06, subd. 2c(e). New paragraph 1(c) defines "employment-related expenses" as the meaning under section 21(b)(2) of the Internal Revenue Code. The paragraph also defines "qualifying individual" as it is defined in 21(b)(1) of the Internal Revenue Code, however the definition is modified so that a child with dependent income related to the Minnesota family investment program or allowance must not be taken into account in determining whether the child received more than half of support by the taxpayer claiming the credit. New subdivision 1a defines "eligible dependent care expenses," which are limited to $3,000 for one qualifying individual, or $6,000 if there are two or more qualifying individuals. The amount of dependent care assistance received for a qualifying individual, under section 129 of the Internal Revenue Code, will reduce the credit limits. For purposes of determining employment related expenses, the provisions of section 21(d) of the Internal Revenue Code apply. New subdivision 1b states that the credit percentage equals thirty-five percent, subject to reductions for the taxpayer's adjusted gross income over $15,000, but the bottom must be twenty percent. Subdivision 2b was updated for inflation starting in 2026. New subdivision 2c allows for deemed expenses for children who are not yet six years of age and are cared for at a licensed daycare home operated by the child's parent. Lastly, new subdivision 7 states that the special rules contained in section 21(e) of the Internal Revenue Code apply. This section is effective for taxable years beginning after December 31, 2025.

**Controlled foreign corporations.** Minn. Stat. § 290.21, subd. 9, was amended to state that the calculation of subpart F under section 951 of the Internal Revenue Code is modified by new section 290.035, to make clear subpart F must be calculated without the look-through provisions of section 70351 of Public Law 119-21. This section is effective for taxable years beginning after December 31, 2025.